



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

August 14, 2014

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", written over a horizontal line.

SACRAMENTO UPDATE

Executive Summary

This memorandum contains reports on the following:

- **Status of County-Sponsored Legislation**
 - **County-co-sponsored SB 473 (Block)** - related to human trafficking, passed the Senate Floor on August 13, 2014, and now proceeds to the Governor.
 - **County-sponsored SB 1089 (Mitchell)** - related to Medi-Cal reimbursements for in-patient hospital services for detained juveniles, passed the Assembly Floor on August 14, 2014, and now proceeds to the Governor.
- **Status of County-Advocacy Legislation**
 - **County-supported AB 1743 (Ting)** - related to the distribution of hypodermic needles and syringes, passed the Assembly Floor on August 14, 2014, and now proceeds to the Governor.
 - **County-supported SB 1339 (Cannella)** - related to criminal background clearances for Drug Medi-Cal nonprofit providers or applicants designated as high categorical risk, passed the Assembly Appropriations Committee on August 13, 2014, and now proceeds to the Assembly Floor.

"To Enrich Lives Through Effective And Caring Service"

*Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only*

- **Status of Legislation of County Interest**

- **SB 718 (Roth)** - related to eligibility for financial incentives provided under a local government's capital investment incentive program and aerospace tax credits, passed the Senate Floor on August 13, 2014, and now proceeds to the Governor.
- **SB 1365 (Padilla)** - related to the prohibition of a district-based election if it would prevent a protected class from electing candidates of its choice and court remedies for violations of the prohibition, passed the Senate Floor on August 13, 2014, and now proceeds to the Governor.

Status of County-Sponsored Legislation

County-co-sponsored SB 473 (Block), which as amended on August 7, 2014, would add human trafficking to the list of felony offenses that may be used to establish a pattern of criminal gang activity pursuant to Proposition 21 of 2000 and make an individual eligible for enhanced criminal sentences and penalties, passed the Senate Floor, with concurrence of Assembly amendments, by a vote of 34 to 0 on August 13, 2014. This measure now proceeds to the Governor.

County-sponsored SB 1089 (Mitchell), which as introduced on February 19, 2014, would make technical amendments to **County-sponsored AB 396 of 2011**, which allows counties and the California Department of Corrections and Rehabilitation to draw down Federal Medicaid matching funds to provide reimbursement for the medical treatment of detained juveniles who require in-patient hospital services, passed the Assembly Floor by a vote of 74 to 0 on August 14, 2014. This measure now returns to the Senate for enrollment and transmittal to the Governor.

Status of County-Advocacy Legislation

County-supported AB 1743 (Ting), which as amended on May 27, 2014, would authorize a pharmacist or physician to provide an unlimited number of hypodermic needles and syringes to a person 18 years of age or older, for personal use, until January 1, 2021, passed the Assembly Floor by a vote of 51 to 19 on August 14, 2014. This measure now proceeds to the Governor.

County-supported SB 1339 (Cannella), which as amended on August 12, 2014, would require: 1) a certified Drug Medi-Cal nonprofit provider or applicant designated as high categorical risk by the California Department of Health Care Services (DHCS) to submit fingerprint images and related information for their executive directors and officers, as specified, to the California Department of Justice (DOJ) to obtain criminal history information; 2) the DOJ to forward the fingerprint images and related information to the Federal Bureau of Investigations (FBI) and to request a Federal summary of criminal information; and 3) the DOJ to review the information received from the FBI and provide a response to DHCS, while also authorizing DOJ to charge a fee to the subject of the criminal background check to cover the cost of processing the request, passed the Assembly Appropriations Committee by a vote of 17 to 0 on August 13, 2014. This measure now proceeds to the Assembly Floor.

Legislation of County Interest

SB 718 (Roth), which as amended on August 7, 2014, would expand eligibility for: 1) financial incentives provided under a local government's capital investment incentive program; and 2) aerospace tax credits to qualified taxpayers.

As amended, SB 718 would, among other provisions:

- expand the definition of a "proponent" eligible for the capital investment incentive program to also include specified lessees or occupants of a qualified manufacturing facility, as opposed to only facility owners, as specified under current law;
- expand the definition of a "qualified taxpayer" under the existing capital investment incentive program to include, in addition to first-tier subcontractors, taxpayers that are also **prime contractors** that have been awarded a prime contract to manufacture property for use in, or as a component of, a new advanced strategic aircraft for the United States Air Force;
- amend the methodology for calculating the tax credit under the aerospace tax credit program by deleting the "annual full-time equivalent ratio" formula and instead, provide that the aggregate number of total full-time equivalent employees for which an aerospace tax credit amount may be applied shall not exceed 1,100 full-time equivalent employees in a calendar year;

- modify the definition of “new advanced strategic aircraft program” to specify that a new advanced strategic aircraft program does not include any contract awarded prior to August 1, 2014, and does not include a program to upgrade, modernize, sustain, or otherwise modify a current United States Air Force bomber program, including but not limited to, the B-52, B-1, or B-2 programs; and
- clarify that if the Franchise Tax Board receives tax returns from two or more qualified taxpayers seeking receipt of the aerospace tax credit on the same day and the amount of the tax credit available/remaining is insufficient to fully accommodate each taxpayer, the remaining tax credit shall be split/shared proportionately amongst the qualified taxpayers.

Under the provisions of SB 718, any taxpayer that is a major first-tier subcontractor awarded a subcontract to manufacture property for use in, or as component of, a new advanced strategic aircraft for the United States Air Force would be deemed a “qualified taxpayer,” as specified under AB 2389 (Chapter 116, Statutes of 2014), and include a taxpayer that is a prime contractor awarded such a contract by the United States Air Force.

Under existing law, the governing body of a city, county, or city and county is authorized to establish a capital investment incentive program for qualified manufacturing facilities through the adoption of an ordinance or resolution. Upon establishment of a capital investment program, local governments are authorized to provide capital investment incentive amounts to the proponents (i.e. constructors, fee owners, and lessees) of the qualified manufacturing facilities for a maximum of 15 consecutive years. A qualified manufacturing facility is currently defined as a proposed manufacturing facility that meets each of the following criteria: 1) the proponent's initial investment in the facility exceeds \$150.0 million; 2) the facility is located within the jurisdiction of the authorizing local government; 3) the proponent is engaged in commercial production or in the perfection of the manufacturing process or a product intended to be manufactured; and 4) the facility is operated by a business engaged in the recovery of minerals from geothermal resources; and/or the manufacturing of parts or components related to the production of electricity using solar, wind, biomass, hydropower, or geothermal resources.

Existing law defines the “capital investment incentive amount” as an amount up to or equal to the amount of ad valorem property tax revenue generated and collected from the taxation on a facility's real and personal property with an assessed value in excess of \$25.0 million. The annual payment of any capital investment incentive amount to any proponent is contingent on the execution of a community services agreement between

the authorizing local government and the proponent and the proponent's payment, or remittance, of a community service fee to the authorizing local government. The community service fee, which must be remitted to the authorizing local government each fiscal year, must be equal to 25 percent of the capital investment incentive amount calculated for the affected proponent for that particular fiscal year; however, the community service fee must not exceed \$2.0 million in any given fiscal year.

According to the author of SB 718, this measure's focus on aerospace is an opportunity to position the State, once again, as a national leader in supporting the aerospace industry by growing the industry by approximately 1,100 direct jobs and 5,500 indirect or induced jobs.

This measure is similar to AB 2389 (Chapter 116, Statutes of 2014) in that it seeks to temporarily modify the State's current capital investment incentive program to provide tax incentives and credits for contractors (whether they are subcontractors or prime contractors) of the United States Air Force that have been awarded a contract to manufacture property for use in, or as component of, a new advanced strategic aircraft, and is intended to ensure competitive neutrality between competing bidders for this project.

SB 718 is supported by the: Cities of El Segundo, Lancaster, Palmdale, and Redondo Beach; Los Angeles Area Chamber of Commerce; Los Angeles County Economic Development Corporation; Northrup Grumman; San Diego Regional Chamber of Commerce; and San Diego Regional Economic Development Corporation, among others. Currently, there is no registered opposition to this measure.

SB 718 passed the Senate Floor by a vote of 29 to 3 on August 13, 2014. This measure now proceeds to the Governor. SB 718 is an urgency measure and would take effect immediately upon the Governor's signature.

There is no existing Board-approved policy related to the State's capital incentive investment programs; therefore, a position on SB 718 is a matter of Board policy determination. As your Board will recall, it was for this reason that this office and our Sacramento advocates did not take a position on AB 2389 (Chapter 116, Statutes of 2014).

SB 1365 (Padilla), as amended on July 1, 2014, would: 1) prohibit a district-based election if it would prevent a protected class from electing candidates of its choice or otherwise influence the election outcome; and 2) for a political subdivision found in violation, allow a court to mandate appropriate remedies which may include

Each Supervisor
August 14, 2014
Page 6

implementation of a district-based elections system, a single-member district-based election system, or an increase in the size of the governing body, was amended on August 7, 2014.

As currently amended, SB 1365 would additionally provide that a court-mandated change from an at-large election to a district-based election system, which takes place after the enactment of this bill, would be presumed to be in compliance with this measure. Additionally, as amended, the bill removes provisions declaring the legislation would not prohibit dispute settlements.

SB 1365 passed the Senate Floor, with concurrence of Assembly amendments, by a vote of 22 to 9 on August 13, 2014. This measure now proceeds to the Governor.

We will continue to keep you advised.

WTF:RA
MR:VE:IGEA:ma

c: All Department Heads
Legislative Strategist